

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DTX5018 – TAXATION 1

(All sections)

18th OCTOBER 2016

9.00 a.m. – 12.00 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 9 pages (6 pages with 4 questions and 3 pages for appendix).
2. Answer ALL questions.
3. Write your answers in the answer booklet provided.

QUESTION 1 [TOTAL 35 MARKS]**Part A**

Daya Maju Sdn Bhd commenced its business on 1 May 2010 and its first set of accounts was prepared to 31 August 2010. However, on 1 October 2010, the company decided to change the accounting date to 31 January.

In January 2014, Daya Maju Sdn Bhd became the subsidiary of Burj Bhd and changed its accounting date to 30 June to conform to the group's accounting date. The adjusted income/(loss) for the respective accounting periods are as follows:

| Accounting period | Adjusted income/(loss) |
|--------------------------|-------------------------------|
| 1.5.2010 - 31.8.2010 | RM(32,000) |
| 1.9.2010- 31.8.2011 | (96,000) |
| 1.9.2011 - 31.1.2013 | 255,000 |
| 1.2.2013 - 31.1.2014 | 153,600 |
| 1.2.2014- 30.6.2015 | 168,000 |
| 1.7.2015- 30.6.2016 | 218,400 |

Required:

Determine the basis period and compute the adjusted income/(loss) of Daya Maju Sdn Bhd for all the relevant years of assessment. **(14 marks)**

Part B

Soo Jin is a lawyer by profession in Melaka. In year 2016, he developed a special interest in the stock market where he spent most of his time. During this period, he was actively involved in the purchase and sale of shares in BURSA Malaysia and made a total gain of RM85,000 out of the 30 transactions he entered into.

Required:

Explain, with reasons, whether the gain of RM85,000 is liable to income tax.

(5 marks)**Continued...**

Part C

Mr. Johnny, an Australian engineer, first arrived in Malaysia on 1.12.2009. He left Malaysia permanently on 31.08.2016. Mr. Johnny has the following records of stay:

| | | Number of days |
|------------------------|----------------------------|----------------|
| 1/12/2009 – 31/12/2009 | In Malaysia | 31 |
| 1/1/2010 – 31/1/2010 | In Malaysia | 31 |
| 1/2/2010 – 31/5/2010 | In Singapore | 121 |
| 1/6/2010 – 31/7/2010 | In Malaysia | 61 |
| 1/8/2010 – 31/10/2010 | In Bali | 92 |
| 1/11/2010 – 31/12/2010 | In Malaysia | 61 |
| 1/1/2011 – 31/3/2011 | In Malaysia | 90 |
| 1/4/2011 – 14/4/2011 | Australia for social visit | 14 |
| 15/4/2011 – 31/7/2011 | In Malaysia | 108 |
| 1/8/2011 – 30/9/2011 | In Thailand | 61 |
| 1/10/2011 – 31/12/2011 | In Malaysia | 92 |
| 1/1/2012 – 31/3/2012 | In Malaysia | 91 |
| 1/4/2012 – 13/4/2012 | Seminar in Taipei | 13 |
| 14/4/2012 – 31/7/2012 | In Malaysia | 109 |
| 1/8/2012 – 31/12/2012 | In Hong Kong | 153 |
| 1/1/2013 – 30/4/2013 | In Hong Kong | 120 |
| 1/5/2013 – 31/7/2013 | In Malaysia | 92 |
| 1/8/2013 – 31/12/2013 | In Japan | 153 |
| 1/1/2014 – 31/12/2014 | In Japan | 366 |
| 1/1/2015 – 31/1/2015 | In Japan | 31 |
| 1/2/2015 – 31/12/2015 | In Malaysia | 334 |
| 1/1/2016 – 31/1/2016 | In Japan | 31 |
| 1/2/2016 – 31/08/2016 | In Malaysia | 212 |

Required:

State, with reasons, whether or not Mr Johnny is resident in Malaysia from the year of assessment 2009 to 2016. (16 marks)

Continued...

QUESTION 2 [TOTAL 25 MARKS]**Part A**

Your client, Pearl, provided the following information regarding her residential property in Alor Gajah for the year ended 31.12.2016.

| <u>Receipts</u> | RM | RM |
|--|--------------|-----------------|
| Rental: January- March | | 16,000 |
| April – May | | - |
| June – December | | 24,000 |
| Deposit (refundable) | | 26,000 |
| Deposit for electricity, water and telephone | | <u>4,000</u> |
| | | 70,000 |
| <u>Payments</u> | | |
| Deposit refunded to ex-tenant | 4,000 | |
| Assessment | 4,200 | |
| Quit rent for 2015-RM390 | | |
| 2016-RM390 | 780 | |
| Interest on loan (January – December) | 8,010 | |
| Penalty for late payment of quit rent | 160 | |
| Advertisement to find new tenant | 200 | |
| Repairs (carried out in May): | | |
| Repainting | 2,650 | |
| Renovation to kitchen and bathroom | 7,660 | |
| Replacement of damaged tiles | 3,750 | |
| Installation of air conditioning unit | <u>1,150</u> | <u>(32,360)</u> |
| Net rental | | <u>37,640</u> |

Required:

Calculate the adjusted income from rental of Pearl for year of assessment 2016.

(10 marks)

Continued...

Part B

Kim Yuna, a resident in Korea carries on a timber business in Malaysia (non-resident in Malaysia). In 2016, he borrows money from Klinton, a US resident for a loan amount of RM2 million. The loan is used in his Malaysian business and the interest paid is charged out as an expense in arriving at the adjusted income of the timber business.

Required:

Explain with reasons whether the interest expense is subject to tax under the Income Tax Act 1967.

(5 marks)

Part C

Jennifer, a resident in Malaysia, is a freelance writer of articles and author of several books. In 2016, she translated a literary work at the specific request of the Attorney General Chambers. Her income from royalties and expenditure for the year ended 31.12.2016 are as follows:

| <u>Income</u> | <u>RM</u> |
|--------------------|-----------|
| From translation | 25,000 |
| From books | 85,000 |
| From books | 55,000 |
| <u>Expenditure</u> | |
| Cost of computer | 3,100 |
| Editing expenses | 4,320 |
| Typing expenses | 2,130 |

Required:

Compute the adjusted income from royalties of Jennifer for the YA 2016.

(10 marks)

Continued...

QUESTION 3 [TOTAL 20 MARKS]

Mr Chan is employed as an executive of a company at a monthly salary of RM13,000. In March 2016, he joined a golf club under individual membership with an entrance fee amounting to RM24,980 and monthly subscriptions amounting to RM800 commencing from March 2016. Both of these payments were paid by the company.

From 1 January to 31 March 2016 the company provided petrol amounting to RM650 in respect of the car owned by Mr Chan. Due to his good performance, the company had provided Mr Chan with a two-year-old car and a driver from 1 April 2016. The car had been purchased for RM130,000 (cost of the car was RM170,000 when new). The driver was employed at a monthly salary of RM1,100. The fuel provided for the company car amounted to RM5,900.

The company reimbursed Mr Chan the following expenses incurred by him during the year 2016:

Salary of a domestic servant employed by Mr Chan amounting to RM7,020.

Two overseas leave passages costing RM1,800 and RM2,700 respectively.

Four local leave passages to:

| | RM |
|----------------|-------|
| Kota Kinabalu* | 4,800 |
| Langkawi | 3,300 |
| Penang | 1,700 |
| Kuching | 2,900 |

* including an air-ticket costing RM550 for Mr Chan's sister.

Mr Chan's only other income for the year 2016 was a dividend amounting to RM1,368 (net of tax) received on 10 August 2016.

Required:

Compute the adjusted income from employment of Mr Chan for the YA 2016.

Continued...

QUESTION 4 [TOTAL 20 MARKS]

Mr. Azuan and his wife, Ms. Nurul have employment income of RM30,000 and RM18,000 respectively for YA 2016. They also contribute to employment provident fund (EPF) scheme with the rate of 11%.

During the year, Mr. Azuan contributes RM500 for zakat and RM1,500 on purchasing books. Besides that, he also incurred RM2,400 on medical insurance while the wife incurred RM1,500 for educational insurance on the children. They have four children with the following details:

First child, Mazlan He is 26 years old in 2016 and got married on 31 December 2015.

Second child, Marsha She is 22 years old in 2016 and has been a student at a university in London since October 2013 on government scholarship. However, Mr. Azuan still incurred RM6,000 on the child's maintenance during the year.

Third child, Maya She is 16 years old in 2016 and is attending a local secondary school. Mr. Azuan incurred RM3,000 on the child's maintenance during the year.

Fourth child, Mazuan He is 10 years old in 2016, disabled and not studying.

In addition, Mr. Azuan has a gross dividend income of RM6,000.

Required:

- (a) Compute the income tax payable for YA 2016 for Mr. Azuan under joint assessment. The wife has elect for joint assessment. **(16 marks)**
- (b) If the chargeable income is RM48,000 (joint assessment), how much would be the income tax payable for YA 2016 for Mr. Azuan? Assume the gross dividend income remain the same. **(4 marks)**

Continued...

APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2016:

- (i) Non-resident individual 28%
(ii) Resident individuals:

| Chargeable Income(RM) | Rate % | Tax Payable (RM) |
|------------------------|--------|------------------|
| On the first 5,000 | | 0 |
| On the next 10,000 | 1 | 50 |
| On the first 10,000 | | 50 |
| On the next 10,000 | 1 | 100 |
| On the first 20,000 | | 150 |
| On the next 15,000 | 5 | 750 |
| On the first 35,000 | | 900 |
| On the next 15,000 | 10 | 1,500 |
| On the first 50,000 | | 2,400 |
| On the next 20,000 | 16 | 3,200 |
| On the first 70,000 | | 5,600 |
| On the next 30,000 | 21 | 6,300 |
| On the first 100,000 | | 11,900 |
| On the next 50,000 | 24 | 12,000 |
| On the first 150,000 | | 23,900 |
| On the next 100,000 | 24 | 24,000 |
| On the first 250,000 | | 47,900 |
| On the next 150,000 | 24.5 | 36,750 |
| On the first 400,000 | | 84,650 |
| On the next 200,000 | 25 | 50,000 |
| On the first 600,000 | | 134,650 |
| On the next 400,000 | 26 | 104,000 |
| On the first 1,000,000 | | 238,650 |
| Exceeding 1,000,000 | 28 | |

(b) Value of benefits in kind – Motor Vehicle and Related Benefits for year of assessment 2016:

| Cost Of Car When New (RM) | Annual Value Of BIK (RM) | Fuel Per Annum (RM) |
|---------------------------|--------------------------|---------------------|
| Up to 50,000 | 1,200 | 600 |
| 50,001 - 75,000 | 2,400 | 900 |
| 75,001 - 100,000 | 3,600 | 1,200 |
| 100,001 - 150,000 | 5,000 | 1,500 |
| 150,001 - 200,000 | 7,000 | 1,800 |
| 200,001 - 250,000 | 9,000 | 2,100 |
| 250,001 - 350,000 | 15,000 | 2,400 |
| 350,001 - 500,000 | 21,250 | 2,700 |
| 500,001 and above | 25,000 | 3,000 |

Continued...

- (c) Prescribed value of household furnishing, apparatus and appliances year of assessment 2016:

| Category | Types Of BIK | Annual Value Of BIK |
|----------|---|-------------------------------|
| (i) | Semi-furnished with furniture in the lounge, dining room or bedrooms. | RM840 (RM 70 per month) |
| (ii) | Semi-furnished with furniture as above and one or more of the following: air-conditioners, curtains and carpets. | RM1,680 (RM 140 per month) |
| (iii) | Fully-furnished with benefits as above plus one or more of the following: kitchen equipment, crockery, utensils and appliances. | RM3,360 (RM 280 per month) |

- (d) Prescribed value of other benefits year of assessment 2016:

| Item | Types Of BIK | Value Of BIK (RM) |
|-------|-------------------|--------------------------------------|
| (i) | Gardener | 3,600 per person (300 per month) |
| (ii) | Driver | 7,200 per person (600 per month) |
| (iii) | Household servant | 4,800 per servant (400 per month) |

- (e) Tax relief for year of assessment 2016:

| | RM |
|--|-------|
| 1 Taxpayer | 9,000 |
| 2 Wife/Husband - if she/he has no source of income or elects for joint assessment | 3,000 |
| 3 Disabled persons - further deduction: | |
| Taxpayer | 6,000 |
| Spouse | 3,500 |
| 4 Children - to be claimed either by the wife or the husband (per child below 18 years of age) | 1,000 |
| 5 Children: over 18 year of age & pursuing tertiary education | 6,000 |
| Disabled child - unmarried | 5,000 |
| Disabled child – unmarried & pursuing tertiary education | 6,000 |

Continued...

| | | |
|----|--|-------|
| 6 | Medical expenses for taxpayer, spouse and children on serious disease (including RM 500 for medical examination) [Max] | 5,000 |
| 7 | Medical expenses for parents | 3,000 |
| 8 | Supporting equipment for disabled taxpayer, spouse, children or parents [Max] | 5,000 |
| 9 | EPF contributions, Life insurance premiums and approved funds | 6,000 |
| 10 | Insurance premium for education and medical benefits | 3,000 |
| 11 | Fees for acquiring technical, vocational and other skills recognized by Government for taxpayer. [Max] | 5,000 |
| 12 | Purchase of books, journals magazines etc. | 1,000 |
| | Purchase personal computer for personal use (restricted once for every 3 years) | 3,000 |
| 13 | Net saving in SSPN's scheme | 3,000 |
| 14 | Purchase of sport equipment | 300 |

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